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DOMESTIC CORPORATIONS

ALASKA.

THE HOLDER OF THE MAJORITY STOCK is an actual, though not a technical trustee, for the minority stockholders. *Alaska Juneau Gold Mining Co. v. Ebner Gold Mining Co.*, 239 Fed. 638.

ARIZONA.

PLACE OF MEETING OF STOCKHOLDERS. The by-laws of an Arizona corporation provided that all meetings of stockholders, whether regular or special, should, upon notice as therein prescribed, be held in Phoenix, Arizona. A meeting was held at Los Angeles, upon waiver of notice, at which all the issued stock was represented and participated in the election of a board of directors. This election was not void. The directors so elected are *de facto* officers and the validity of their acts is not subject to collateral attack. *Ellsworth v. National Home & Town Builders*, 164 Pac. 14.

TRANSFER OF STOCK. The fact that stock was named in a pooling agreement, which was never consummated, does not excuse the corporation for refusing to transfer it on demand of the holder. *Ellsworth v. National Home & Town Builders*, 164 Pac. 14.

CALIFORNIA.

LIABILITIES OF TRUSTEE FOR BOND ISSUE. A trust company as trustee under the ordinary form of trust deed is not liable to a purchaser of the bonds for failing to compel performance of operations by the mortgagor corporation, nor to know the law of the place where the mortgagor operated, nor for failing

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to have the mortgagor's title made perfect. A provision in the trust deed that no liability should attach to the trustee except "for the exercise of reasonable diligence only in performance of the trust when action on its part for that purpose" should become necessary, expressly protected the trustee from liability for the representations of the mortgagor. *Ainsa v. Mercantile Trust Co.*, 163 Pac. 898.

STOCKHOLDERS' LIABILITY. The liability upon each stockholder imposed by the Civil Code and Constitution of California for such proportion of all the debts and liabilities contracted or incurred by the corporation during the time he was such stockholder as the amount of stock owned by him bears to the subscribed capital stock, extends to torts of the corporation resulting in personal injury. *Lininger v. Botsford*, 163 Pac. 63.

GEORGIA.

EXTENSION OF CHARTER. The charter of a Georgia corporation which has run out by expiration of its twenty years of existence may be extended for another term of twenty years on an application based upon a resolution concurred in by stockholders who own a majority of the stock. Unanimous consent of stockholders is unnecessary. *McKensie v. Eady-Baker Grocery Co.*, 92 S. E. 282.

IDAHO.

RATIFICATION OF A CORPORATE MORTGAGE. Notice of a meeting at which a corporate mortgage was authorized, was not given to all the directors as required by the by-laws. The action of the board of directors was ratified, however, by failure of absent directors to dissent and by the receipt of the benefits of the mortgage by the corporation. *Pettengill v. Blackman*, 164 Pac. 358.

ILLINOIS.

DEFECTIVE INCORPORATION. A certificate of complete organization was issued for The Chicago Real Estate Show Company on January 31, 1911. The principal office of the company was in Cook County, but the certificate of complete organization was never filed for record in the recorder's office of that county, as provided by section 4 of the general incorporation act. Printing and materials were purchased on an open account covering a period from February 15 to May 6, 1911. Suit was commenced December 10, 1914, against the president, who was also a director, for a balance due on this account, pursuant to section 18 of the general incorporation act, which provides that if any person or persons pretending to be an officer or agent, or board of directors of any stock corporation, shall assume to exercise corporate powers, or use the name of any such corporation or pretended corporation, without complying with the provisions of the act, before all stock named in the articles of incorporation shall be subscribed in good faith then they shall be jointly and severally liable for all debts and liabilities made by them, and contracted in the name of such corporation. This is a penal and not a remedial statute. Hence the two year statute of limitations applies and the claim in the instant case is barred. *M. H. Vestal Co. v. Robertson*, 115 N. E. 629.

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POWER OF PUBLIC UTILITY CORPORATION TO ASSIGN OR TRANSFER its property and powers is implied when such property and powers are granted to it, its successors and assigns. *People v. Commercial Telephone & Telegraph Co.*, 115 N. E. 380.

LIABILITY OF NON-RESIDENT DIRECTOR. It would be manifestly unjust to hold a non-resident director liable to the same degree of attention to a bank's affairs as is required of resident directors. The director of a corporation is not liable for losses where there is not a causal connection between the negligence of the director and the loss sustained. *Wallach v. Billings*, 115 N. E. 382.

MASSACHUSETTS.

FEATURES OF THE MASSACHUSETTS CORPORATION LAWS. Incorporators of Massachusetts corporations need not be residents; the charter may contain provisions limiting, defining and regulating the powers of the corporation, of stockholders and of directors; any number of classes of stock may be created; directors need not be stockholders if by-laws so provide; directors' meetings may be held outside the State; the stock of a Massachusetts corporation is not taxable as personal property in the hands of its stockholders; Massachusetts corporations may hold their own stock, and, with certain limitations as to public service corporations, may hold stock in other companies. On the other hand, the rate of organization tax is comparatively high; shares cannot have a par value of less than \$5.00; corporations formed to deal in real estate are limited to corporate existence of fifty years; stockholders' meetings must be held within the State; stockholders are liable to operatives for six months after a demand has been made and such operatives have not been paid; corporations must make an annual statement of assets and liabilities; a list of stockholders must be filed with the Tax Commissioner in each year; the State system of taxation is very complicated.

COST OF ORGANIZATION is as follows: Fee to Secretary of State for filing and recording articles of incorporation and issuing certificate of organization, one-twentieth of one per cent. on the authorized capital, minimum \$25; certifying copy, \$1.00. Justice of the Peace, \$3.00. Stock ledger and transfer book (required by law), \$7.00.

TAXATION. Massachusetts levies a corporate excess tax. The corporation reports to the tax commissioner the market value of its capital stock and also the total value of its tangible and intangible assets. From the value of the capital stock is deducted the value of tax exempt securities and the value of all property subject to taxation by cities or towns in or out of Massachusetts. The remainder is considered as the value of the corporate excess subject to the tax. The rate is equal to the average rates at which property has been taxed for the three years preceding.

PROCEDURE FOR INCORPORATING. The first step is to sign the agreement of association. This agreement contains the corporate name, the location

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of the principal office of the corporation, the purposes, the amount of capital stock which shall not be less than one thousand dollars, the par value, which shall not be less than five dollars, and the number of shares, the restrictions, if any, imposed upon transfers, and if there are to be two or more classes of stock, a description of the different classes and a statement of the conditions upon which they are to be created; any other provisions, defining and limiting the powers of the corporation, of its directors and stockholders; the name of a subscriber or subscribers by whom the first meeting of the incorporators shall be called and the names and addressea of the incorporators and the amount subscribed by each. The first meeting of the incorporators is called by notice, either by such subscriber to the agreement of association as may be designated therein or by a majority of the subscribers to such agreement, seven days, at least, before the date appointed for the meeting. This notice may be waived by all the incorporators in writing. At this first meeting the incorporators organize by choosing by ballot a temporary clerk, who should be sworn. By-laws are adopted, and, in accordance with the provisions thereof, directors, treasurer, clerk and such other officers as may be provided for are elected. The temporary clerk makes and attests a record of the proceedings until the permanent clerk has been chosen and sworn. A majority of the directors elected at the first meeting forthwith sign and make oath to articles which set forth a true copy of the agreement of association and the names of the subscribers, the date of the first meeting, the amount of capital then to be issued, the amount to be paid for in full in cash, the amount thereof to be paid for in cash by instalments and the instalment to be paid before the corporation commences business, and the amount thereof to be paid for in property. If property consists of real estate, its location, area and the amount of stock to be issued therefor must be stated. If any part of the property is personalty it should be described in such detail as the Commissioner of Corporations may require, and the amount of stock to be issued therefor must be inserted. If any part of the capital stock is issued for services or expenses, the nature and amount must be stated. The name, residence and post office address of each of the officers of the corporation must be given. The articles of organization and the record of the first meeting of incorporators are submitted to the Commissioner of Corporations. If approved, he endorses the same and upon the payment of the fees required by law the articles are filed in the office of the Secretary of the Commonwealth. He thereupon issues a certificate of incorporation.

WHAT THE CORPORATION REGISTRATION COMPANY (OF THE CORPORATION TRUST COMPANY SYSTEM) DOES to assist attorneys in the incorporation and subsequent statutory maintenance of a Massachusetts corporation is briefly as follows:

At the time of incorporation it ascertains if the name can be used and furnishes the attorney with a complete set of forms for reference, copies of agreements of association which have been approved, files and records the necessary papers and assists the attorney in every way possible in the organization.

It will draft and submit the articles of organization, by-laws and incorporators' minutes and upon approval by the attorney will furnish complete facilities for

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incorporation, attend to the filing of the papers, the holding of the necessary meetings and return the records completed in minute book form.

Attorneys wishing to keep complete control and supervision over the organization of Massachusetts corporations have found it extremely convenient and expedient to use the office of the Corporation Registration Company (of The Corporation Trust Company System), 511 Exchange Place, Boston.

Subsequent to incorporation the Corporation Registration Company furnishes a statutory office, clerk and agent in the state upon whom service of process may be had, acts as custodian of stock record books, furnishes rooms for holding stockholders' meetings or holds same by proxy, gives timely notice for filing state reports and tax returns, and keeps counsel informed of changes in statutes affecting the corporate status.

For foreign corporations entering Massachusetts, it drafts for approval and submits to attorneys all documents necessary to secure authority to do business in the State. After qualification it notifies the attorney of all reports and taxes to be paid, and forwards blanks for reports and tax assessments.

An estimate of charges can be secured at our nearest office.

TRADING STAMP LEGISLATION forbidding the issuance of trading stamps redeemable by any one other than the seller would be unconstitutional. In re Opinion of the Justices, 115 N. E. 978.

MICHIGAN.

FEATURES OF THE MICHIGAN CORPORATION LAWS: The charter of a Michigan corporation may contain any provision creating, defining, limiting and regulating the powers of the corporation, directors and stockholders; there are no requirements as to the residence of incorporators; stockholders' meetings may be held outside of the State; directors need not be residents; directors' meetings may be held without the state; corporations may borrow money without limit as to amount, and there is no annual franchise tax. On the other hand, there is a high rate of organization tax; Michigan corporations cannot have more than one purpose; the authorized capital can not be less than \$1,000 or over \$25,000,000 for conventional corporations, and not less than \$10,000 or more than \$10,000,000 for mining companies, and not less than \$5,000 or more than \$25,000 for oil companies; 50% of the authorized capital must be subscribed; the par value of shares of conventional corporations must be either \$10 or \$100, for mining companies \$25, for oil companies not less than \$1.00 or more than \$10.00; 10% of the authorized capital must be paid in; if the stock is issued for property, the charter must contain an itemized description thereof; the corporate existence is limited to thirty years; corporations may not hold property for more than ten years unless such property is actually occupied by the corporation in the exercise of its franchise; with the exception of mining companies, corporations may not hold stock in other companies; corporations may purchase their own stock only in the case of non-payment of assessments; stockholders, in addition to liability for unpaid subscriptions, are liable for debts due for labor performed; account books and statements are open

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to the inspection of stockholders; corporate powers are entirely suspended for failure to file annual report within ten days after the report is due.

COST OF ORGANIZATION IS AS FOLLOWS:

Fees to Secretary of State:

½ mill (50c. per Thousand) on each \$1 of authorized capital, but not less than \$5;

Recording, (20c. per folio), about..... \$4.00

Fee to County Clerk:

Recording, (20c. per folio), about..... 4.00

Stock Ledger and Transfer Book (required by law)..... 7.00

TAXATION. There is no annual franchise tax. Manufacturing, mining, mercantile, water works, light, heat and electric power corporations are subject to the property tax for both state and local purposes.

PROCEDURE FOR INCORPORATING. The Secretary of State furnishes blank forms of articles of association, (classified as follows: Manufacturing and mercantile companies with common stock only; manufacturing and mercantile companies with common and preferred stock; mining companies, telephone and messenger service companies) which, when filled in, contain: (1) The name of the proposed corporation; (2) The purposes; (3) The principal place or places at which its operations are to be conducted; (4) The amount of the total authorized capital; the amount of the capital stock subscribed, and statement of conditions for preferred and common shares; (5) Number of shares into which the capital is divided; (6) The amount of capital stock paid in at the time the articles are executed, which shall not be less than 10% of the authorized capital, and in no case less than \$1,000 except in the case of a capitalization of \$2,000 or under when it shall be 25%; (7) Place in Michigan where the office of the company is located; (8) The term of years the corporation is to exist, which shall not exceed thirty years, and (9) the names of the stockholders, their respective residences, and the number of shares subscribed for by each. Every stockholder must subscribe and acknowledge these articles, and the original thereof is then recorded in the office of the Secretary of State. Thereafter they are recorded in the office of the County Clerk of the county in which the operations of the company are to be carried on.

WHAT THE CORPORATION TRUST COMPANY DOES to assist attorneys in the incorporation and subsequent statutory maintenance of a Michigan corporation is briefly as follows:

At the time of incorporation it ascertains if the name can be used and furnishes the attorney with a complete set of forms for reference, copies of articles of association which have been approved, files and records the charter and assists the attorney in every way possible in the organization.

It will draft and submit the articles of association, by-laws and incorporators' minutes and upon approval by the attorney will furnish complete facilities for incorporation, attend to the filing of the papers, the holding of the necessary meetings and return the records completed in minute book form.

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Attorneys wishing to keep complete control and supervision over the organization of Michigan corporations have found it extremely convenient and expedient to use the nearest office of The Corporation Trust Company and the services of its representative in Michigan.

Subsequent to incorporation The Corporation Trust Company furnishes a statutory office and agent in the state upon whom service of process may be had, acts as custodian of stock record books, furnishes rooms for holding stockholders' meetings or holds same by proxy, gives timely notice for filing state reports and tax returns, and keeps counsel informed of changes in statutes affecting the corporate status.

For foreign corporations entering Michigan, The Corporation Trust Company drafts for approval and submits to attorneys all documents necessary to secure authority to do business in the State. It files the necessary papers and supplies the agent for service of process. After qualification it continues to supply the agent for service of process, notifies the attorney of all reports and taxes to be paid, and forwards blanks for reports and tax assessments.

An estimate of charges can be secured at our nearest office.

MISSOURI.

FAILURE TO AFFIX THE CORPORATE SEAL to a deed to a right of way by a corporation which had a seal, made the deed insufficient as a conveyance of the legal interest, but the transaction was valid as a dedication to the public. *Albers v. Acme Paving & Crusher Co.*, 194 S. W. 61.

MONTANA.

AUTHORITY OF PRESIDENT. Where the president of a corporation had been invested with the exclusive control of its business affairs, he was possessed of the powers of the directors so far as third parties were concerned and could lawfully do anything the board itself could do. *Hanson Sheep Co. v. Farmers' & Traders' State Bank*, 163 Pac. 1151.

NEW JERSEY.

A CORPORATION CONTROLLED BY CITIZENS OF GERMANY will not be denied right of action in the courts because the money derived from the suit would be used in giving aid and comfort to the enemy. The corporate body is a distinct entity from the alien owners of its stock. *Fritz Schulz, Jr., Co. v. Raimes & Co.* (City Ct. of N. Y. Special Term, Part I.)

QUORUM OF DIRECTORS. "The by-laws contained no resolution fixing the number required for a quorum. In the absence of such regulation; a majority of the directors constitute a 'quorum', and, when regularly assembled, may transact any business which the corporation has a right to transact under the provisions of its charter. * * * All of the directors constituting a quorum must be qualified to act. If one of the directors whose presence is necessary to constitute a quorum,

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or whose vote is necessary to constitute a majority of quorum, is disqualified by reason of his personal interest, any act done by the body is invalid." *In re Webster Loose Leaf Filing Co.*, 240 Fed. 779.

LIMITATIONS ON RIGHT TO DISSOLVE CORPORATION WHICH HAS GUARANTEED PAYMENT OF DIVIDENDS OF ANOTHER CORPORATION. "The issue is if A. corporation, authorized by a provision in its charter to guarantee payment of dividends on stock of B. corporation, does so guarantee such payment for a period of 40 years yet to run, for a valuable consideration, executed, so that the parties cannot be placed in *status quo*, such contract of guaranty being approved by the stockholders of A. corporation, can it be permitted to dissolve, and may the holders of the stock of A. corporation who have approved the contract of guaranty be permitted to vote such stock in favor of such dissolution, without making some adequate provision for the contingent liability of A. corporation to the stockholders of B. corporation?" The Court of Chancery of New Jersey thinks not. To permit such a dissolution would be both unjust and illegal. After reviewing cases in which dissolution had been permitted although there had been some sort of guaranty issued by the dissolving corporation, Vice Chancellor Lane says: "The factors in this case which distinguish it from any other brought to my attention are: First, the corporation was expressly authorized to enter into the contracts; second, the stockholders approved the contracts; third, the contracts were for valuable considerations executed, and the parties cannot be put in *status quo*; fourth, the corporation and its stockholders expressly contracted that no voluntary dissolution would affect the contracts." *Allen v. Distilling Co. of America*, 100 Atl. 620.

NEW YORK.

ACTION FOR ACCOUNTING AND EXAMINATION BY STOCKHOLDERS. A stockholder in a corporation whose charter has expired by lapse of time suing on behalf of himself and all other stockholders similarly situated is entitled to an accounting against the sole surviving director. An examination before trial in order to enable plaintiff to frame his complaint is unnecessary. *De Martini v. McCaldin*, 176 N. Y. App. Div. 541.

CLASSIFICATION OF STOCK BY UNANIMOUS CONSENT. Section 61 of the Stock Corporation Law has been amended by addition of a provision for the issuance of preferred stock and common stock and different classes of preferred stock upon the unanimous consent of the stockholders expressed in writing and filed in the office of the Secretary of State and in the office of the clerk of the county in which the principal business office of the corporation is located. Chap. 542, Laws of 1917, in effect May 17, 1917.

ADDITIONAL QUALIFICATION OF DIRECTORS. Chapter 538, Laws of 1917, in effect May 17, 1917, amends section 34 of the General Corporation Law, so as to require at least one director to be a citizen of the United States in addition to the former qualification that at least one director be a resident of New York.

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REORGANIZATIONS. Chap. 484, Laws of 1917, in effect May 15, 1917, adds six new sections to the Stock Corporation Law, providing a method of change from par to non-par value, by the filing and recording of a certificate of reorganization signed by all the stockholders of the reorganized company.

AMENDMENT TO NON-PAR VALUE LAW. By Chap. 500, Laws 1917, in effect May 15, 1917, the provision whereby non-par value shares could be issued "for such consideration as may be prescribed in the certificate of incorporation, or as from time to time may be fixed by the board of directors pursuant to authority conferred in such certificate," has been amended to read as follows:

"Such corporation may issue and may sell its authorized shares from time to time, for such consideration as may be prescribed in the certificate of incorporation, or for such consideration as shall be the fair market value of such shares, and, in the absence of fraud in the transaction, the judgment of the board of directors as to such value shall be conclusive, or for such consideration as shall be consented to by the holders of two-thirds of each class of shares then outstanding at a meeting called for that purpose in such manner as shall be prescribed by the by-laws. Any and all shares issued as permitted by this section shall be deemed fully paid and non-assessable and the holder of such shares shall not be liable to the corporation or to its creditors in respect thereof."

FORFEITURE OF CHARTER OR RIGHT TO DO BUSINESS AS FOREIGN CORPORATION. Chap. 292, Laws of 1917 provides for the forfeiture of charter or revocation of certificate of authority of corporations maintaining nuisances generated in another state.

NORTH CAROLINA.

LIABILITY FOR WRONGFUL TRANSFER. Moses Baker, on his death in 1857, bequeathed two shares of stock in the Wilmington & Raleigh Railroad Company to his grandson, John Baker, and two shares to his grandson, Jesse Baker, on condition that if either of them should die without issue, the share of the one so dying should go to the survivor, and if both should die without leaving issue, then the stock should go to their next of kin. In due course the executor of the will surrendered certificates for nineteen shares of stock then standing in the name of the testator on the books of the company and the company at his request, issued new certificates, among which was one certificate for two shares to John Baker and one certificate for two shares to Jesse Baker. On January 12, 1866, the certificates for these shares were delivered to the railroad company and cancelled on their books. A new certificate, in lieu thereof, for four shares was issued to one John I. Proctor. Jesse Baker died in 1863, without issue and John Baker died in 1913, without leaving issue. The next of kin designated in the will made a demand for the four shares upon the Atlantic Coast Line, which by merger had succeeded the Wilmington & Raleigh Railroad Company. Action was brought and judgment in plaintiff's favor is now affirmed by the state Supreme Court. It is the duty of a corporation to make inquiry as to the authority of one asking for a transfer of stock

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and, if put on inquiry, it has notice of all the inquiry would reveal. "If, therefore, an agent makes demand on the corporation for a transfer of stock, it must look to the power of attorney, if an administrator, to his letters, and if an executor, to the will, because these are the sources of power, and in the case of an executor, as it is its duty to make inquiry, it is fixed with knowledge of the contents of the will." In the instant case, the corporation not only had notice that there was a will and of its contents at the time of the transfer to the two legatees, but also that the transfer was not being made in the ordinary course of administration for the purpose of procuring assets with which to pay debts. This appears from the fact that the executor did not have an order of sale which is required by the statute of North Carolina and because the transfer was made to the legatees named in the will. In the words of the Court: "Applying these principles to the facts agreed, the defendant knew that it issued the shares of stock to John and Jesse Baker in 1857, that each had an interest in the stock, which would be defeated upon his dying without issue, and subsequently in 1866 when at the request of John Baker it issued the four shares to John I. Proctor it knew that John Baker was then alive, that if he died without issue the plaintiffs in this action would be entitled to the stock it was then issuing, and that the transfer absolutely and without any restrictions would defeat the rights of the plaintiffs unless it, the defendant, was held liable in damages. This is a clear breach of duty and a failure to exercise ordinary care and diligence for which the defendant must be held responsible." *Baker v. Atlantic Coast Line R. Co.*, 92 S. E. 170.

The foregoing case illustrates the careful attention and expert knowledge necessary in order to avoid costly liabilities in making transfers of stock. Appointment of an agency equipped and experienced in this work reduces this responsibility to a minimum. The Corporation Trust Company acts as transfer agent and registrar for many corporations. Its charges for this service are proportioned to the amount of work involved. Correspondence with our nearest office is solicited.

AT A SPECIAL MEETING OF STOCKHOLDERS, business not embraced in the notice will be void unless all the stockholders are present and give their consent, or the action is thereafter ratified. *Asbury v. Mauney*, 92 S. E. 267.

STOCKHOLDERS ARE NOT LIABLE FOR THE DEBTS OF A CORPORATION, because it appears in the minutes that although a motion to this effect was made and seconded, no vote was recorded to show adoption of the motion. *Asbury v. Mauney*, 92 S. E. 267.

UN SOLD BONDS MAY BE PLEDGED by a corporation to secure its own debts. The pledgee of such bonds stands as to the property mortgaged to secure them in as good a situation, with reference to their principal and any interest which may have accrued on them, as does one who holds pledged bonds which have been sold and issued. *Worth v. Marshall Field & Co.*, 240 Fed. 395.

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WEST VIRGINIA.

ISSUANCE OF STOCK FOR PROPERTY. In order to invalidate an issue of stock for property taken at an over-valuation it must be shown, not only that there was an over-valuation, but also that such over-valuation was intentional and fraudulent. Such fraud will not be implied from a mere finding that the property was in fact worth less than the par value of the stock. *Southwestern Portland Cement Co. v. Latta & Happer*, 193 S. W. 1115.

WYOMING.

COMPENSATION OF STOCKHOLDERS FOR SERVICES. When a stockholder, who is not an officer or director, renders a service to the corporation by proper request or authority a contract is implied to pay the reasonable value of his services, unless the circumstances negative such implication. *Hjorth Oil Co. v. Curtis*, 163 Pac. 362.

FOREIGN CORPORATIONS.

ALABAMA.

DOING BUSINESS. The sale of shares of its corporate stock by a foreign corporation is engaging in or transacting business in the state within the meaning of statutory provisions, requiring a permit to do business in the state. Failure to obtain such a permit renders a note given in payment for stock void and unenforceable even in the hands of an innocent purchaser. *Jones v. Martin*, 74 So. 761.

ARKANSAS.

DOING BUSINESS. A salesman for an Ohio corporation made a contract to sell computing scales to a grocer at the latter's place of business in Arkansas. He had the scales with him and delivered them at the time. The contract was sent to the district manager of the corporation, also located in Arkansas, for approval. This would show that the corporation was "doing business," so as to require its qualification under the laws of Arkansas. Unless other facts are shown in a new trial, it would appear that because of its failure to qualify the corporation will not be able to recover the \$125, the balance of the purchase price of the scales. *Miellmier v. Toledo Scales Co.*, 193 S. W. 497.

ILLINOIS.

INDIVIDUAL LIABILITY FOR FAILURE TO QUALIFY. The Chicago Car & Equipment Company was incorporated under the laws of Maine. Officers, agents and directors of the corporation carried on its business in Illinois without qualifying it as a foreign corporation. These officers, agents and directors are severally and jointly liable for merchandise and for work done for and in the name of the corporation. In the instant case this amounted to \$1,046.94 exclusive of interest. The statutory penalties for failure to qualify in Illinois consist of a fine of not less than \$1,000 nor more than \$10,000 and denial of the right to sue at law or in equity

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upon any claim, legal or equitable whether arising out of contract or tort in any court in the state. The courts of Illinois have held that contracts of such a corporation are void as far as the corporation is concerned though the other party to the contract may assert his rights thereunder and to this extent the contract is valid.

The additional penalty of several and joint liability of officers, agents and directors imposed in the instant case is based upon the general principle that a person who assumes to act as agent for a legally incompetent principal renders himself personally liable to the person with whom he deals unless such person knows of the want of authority and one dealing with an officer or agent of a foreign corporation cannot be presumed to know that the corporation has not complied with the laws of the state. This general reasoning would appear to be applicable to foreign corporations doing business without authority in other states, except as in Colorado where individual liability exists by specific statutory provision. Individual liability has heretofore been established in Pennsylvania (*Roff v. Isman*, 235 Pa. 347, 84 Atl. 352) and in Florida (*Taylor v. Branham*, 35 Fla. 297, 17 So. 552). *Joseph T. Ryerson & Son v. Shaw*, 115 N. E. 650.

TEXAS.

LAW GOVERNING PAYMENT FOR STOCK. In issuing its capital stock a West Virginia corporation, qualified to do business in Texas, is governed by the laws of West Virginia and not by those of Texas. "Those statutes of our state (Articles 1126-1145) requiring certain proof to be made to the Secretary of State of the cash value of property which it is proposed to give in payment for stock can have no application here. If the issuance of 750 shares of stock to Leonhardt in payment for the Victorville property would be in violation of article 1146, R. S., which forbids the issuance by a foreign corporation, doing business in Texas, of stock in payment for property which is not reasonably worth at least the sum at which it is taken, such fact would only authorize the forfeiture of the corporation's permit to do business in Texas. The Courts of Texas cannot undertake to restrain the issuance of stock issued by the company in strict conformity with the laws of West Virginia." *Southwestern Portland Cement Company v. Latta & Happer*, 193 S. W. 1115.

WISCONSIN.

AMENDMENT TO FOREIGN CORPORATION LAW. Subsection 2 of section 1770b and subsection 1 of section 1770j of the Wisconsin statutes have been amended by the 1917 Legislature so as to exempt "corporations not organized or conducted for profit" from the necessity of qualifying as foreign corporations under their provisions.

TAXATION.

NEW YORK.

A TAX ON "INVESTMENTS" constitutes a new Secured Debts Law, the term "investment" taking the place of the former term "secured debt." The new law imposes a tax of 20 cents per annum for each \$100 par value of securities. Registration for a period of one or more years not exceeding five, may be obtained, thereby securing an exemption from all local and state taxes for the period for which payment is made.

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AMENDMENTS OF 1917. The minimum organization tax of domestic corporations has been raised from \$5 to \$10. (Chap. 493, Laws of 1917.) A minimum license fee on foreign corporations amounting to \$10 has been provided (Chap. 490, Laws of 1917). The law relating to the franchise tax on corporations having shares without nominal or par value has been changed. This tax is determined by taking as a base such portion of the net assets of the corporation as its gross assets employed in any business within New York bears to the gross assets wherever employed. (Chap. 501, Laws of 1917). An amendment to section 207 of the tax law in relation to the lien of the corporation tax, creates certain limitations after which the lien ceases.

NEW HAMPSHIRE.

FOREIGN MANUFACTURING CORPORATIONS doing business in New Hampshire are required by statute (P. S. c. 148 sec. 21) to "conform to the laws of the state as to returns and taxation." This includes a corporation engaged in converting standing trees into sawed lumber. No liability attaches to the officers, and stockholders of such a corporation for failure to comply with the law. The statute expresses no intent that such a liability should be imposed. *Pierce v. Yeaton*, 100 Atl. 604.

INCOME TAX.

RULINGS AND REGULATIONS.

For preceding reference to rulings see 3 Corporation Journal, page 12.

A court decision holds that where penalties are authorized by statute to be added to the tax and collected as a part of the tax, assessment and collection are governed by Section 3224. (p. 375).

The Act of October 3, 1913, imposes a tax on the income from corporate stocks and bonds owned by a non-resident alien, where the stock certificates and bonds were kept in this country by an agent, who collected the income for the owner, according to the opinion of a U. S. District Court. (p. 375).

Dividends paid by a lessee, as a rental equivalent, direct to shareholders of a corporation leasing its properties to another, constitute income to the lessor corporation. (p. 378).

A letter from a Deputy Commissioner holds redemption of stock on a stipulated premium basis to be a capital transaction. (p. 378).

The Supreme Court of Arkansas holds that the income tax being a tax on income and not a tax on the interest on a bond, *per se*, a tax free covenant in a bond does not obligate the debtor to pay the interest free of income tax.

(NOTE—The page references are to our Income Tax Service, 1917, in which these rulings are printed in full. Some of these rulings are formal treasury decisions; others are contained in letters answering specific questions.)

FEDERAL ESTATE TAX.

RULINGS AND REGULATIONS.

For preceding reference to rulings see 2 Corporation Journal, page 333.

A treasury decision holds that property passing under a general power of appoint-

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ment is taxable as a portion of the gross estate of the decedent appointor. (p. 46.)

Computation of dividends upon stock and interest upon bonds owned by a decedent whose estate is taxable is the subject of a treasury decision. (p. 46.)

The duties of transfer agents, registrars of bonds, etc., on receiving directions for transfer of property theretofore owned by a non-resident decedent, are stated in a letter by the Commissioner of Internal Revenue. (p. 47.)

The status of certain intangible properties in the estate of non-resident decedents, and the duties of agents in the United States in connection with estates of non-resident decedents are the subjects of two letters by a Collector of Revenue. (pp. 47, 48.)

A treasury decision sets forth the duties of corporations, and their transfer agents, registers of bonds and paying agents. (p. 49.)

(NOTE—The page references are to our War Tax Service, where these rulings and regulations are reported in full.)

MUNITION MANUFACTURER'S TAX.

No rulings or regulations have been issued since our last report. See 2 Corporation Journal, page 333.

CAPITAL STOCK TAX.

No rulings or regulations have been issued since our last report. See 3 Corporation Journal, page 14.

MISCELLANEOUS TAXES.

No rulings or regulations have been issued since our last report. See 3 Corporation Journal, page 14.

EXCESS PROFITS TAX.

No rulings or regulations have been issued since our last report. See 2 Corporation Journal, page 334.

FEDERAL RESERVE.

RULINGS AND REGULATIONS.

For preceding reference to rulings see 3 Corporation Journal, page 14.

Informal rulings of the Board have been issued on a form for trade acceptances (p. 441), on conditions precedent to acceptance of drafts (p. 442), on cattle paper (p. 442), on place of payment of acceptances (p. 442), on Farm Loan Bank deposits (p. 443), and on paper of equity exchange (p. 443).

The Law Department has published an opinion on domestic bankers' acceptances (p. 444).

Statements have been issued by the Federal Reserve Board on branches of the Federal Reserve Board, on branches of the Federal Reserve Bank of San Francisco, (p. 445), on drafts on Federal Reserve banks (p. 445), on Federal Reserve

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drafts (p. 446), and on the substitution of collateral for Federal Reserve notes (p. 447).

NOTE—The page references are to our new Federal Reserve Act Service which reports all rulings and regulations of the Federal Reserve Board.)

TRADE COMMISSION.

RULINGS AND REGULATIONS.

For preceding references to rulings see 3 Corporation Journal, page 15.

Conference rulings have been issued on misleading labelling and advertising (p. 105) and upon the use of similar corporate names. (p. 106).

A list of new complaints (6 to 10 inclusive) issued by the Federal Trade Commission, showing the date of issue, the party complained against, a summary of the cause and the date of the hearing thereon, has been published. (Supplementary pages 2-3.)

(NOTE—The page references are to our Federal Trade Commission Service which reports the rulings, regulations and opinions of the Federal Trade Commission.)

CONGRESSIONAL LEGISLATION.

Congress is daily considering, amending and enacting into law many measures of more momentous import to business interests than have even been considered before in the history of the country.

Huge appropriation bills with important riders attached affecting manufacturing concerns have been enacted into law.

A very comprehensive and far-reaching war revenue bill is now under consideration. Our Bulletin No. 1, which analyzes this bill and compares the proposed taxes with existing taxes may be had upon request at our nearest office.

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WAR TAXES

PROPOSED FEDERAL REVENUE LAW INTRODUCED IN CONGRESS

On May 9, 1917, The Ways and Means Committee introduced in the House of Representatives a measure calculated to raise the tremendous sum of \$1,810,420,000. On May 28, this bill, after much debate, was amended in several particulars and passed by the House of Representatives. It has now gone to the Senate where, it is generally understood, a radical reformation of the bill will take place. After passing the Senate, the bill will go to a Conference Committee composed of members from both houses, for agreement on the Senate amendments. The Committee draft of the bill will thereafter presumably be adopted by both houses and go to the President for signature.

OUR SERIES OF BULLETINS.

We believe that a clear, concise and comprehensive analysis of this important measure will be of interest to the busy lawyer and taxpayer. We have, therefore, designed a series of Bulletins with a view to making them valuable as a reference by the use of which discussion in the public prints may be better understood and, to some extent at least, to afford a more or less permanent record of the momentous action now being taken to place as equitably as possible an unprecedented tax burden on this country.

Bulletin No. 1, which has just been issued, will be followed by others from time to time as the revenue bill is amended and finally passed. The series will be sent without charge to our clients and others interested. Throughout the Bulletins references will be made to our Income Tax and War Tax Services and we frankly state that our purpose in publishing the Bulletins is in part to make better known two Services which are considered by many to be indispensable.

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